

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BOND FINANCING PROGRAM

Meeting Date: September 16, 2014

Request for Final Resolution and

Request for Tax-Exempt Bond Allocation Approval

Prepared by: *Deanna Hamelin*

Applicant:	Sierra Pacific Industries and/or its Affiliates	Amount Requested:	\$30,000,000
Project		Application No.:	838
Location:	City of Anderson (Shasta County)	Final Resolution No.:	536
		Prior Actions:	IR approved 7/28/10 IR restated & extended 6/18/13

Summary. Sierra Pacific Industries and/or its Affiliates (the “Company”) requests approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed \$30,000,000 to finance the construction and operation of a biomass-fueled steam generation unit at an existing lumber manufacturing facility located in Anderson. Sierra Pacific anticipates that the project will provide air quality, water quality, and recycling benefits.

Borrower. The Company incorporated in California on November 20, 1996 and provides timber tract management and lumber processing throughout California.

The principal stockholders of the Company are as follows:

Carolyn Emmerson Dietz Revocable Trust of 1990	22.5%
George Emmerson Revocable Trust of 1990	22.5%
M.D. Emmerson Revocable Trust of 1990	22.5%
Various trusts	32.5%
Total:	<u>100.0%</u>

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

CPCFA staff is aware of a petition filed by the Center for Biological Diversity (“CBD”) in the United States Court of Appeals for the Ninth Circuit (“Petition”) which challenges the United States Environmental Protection Agency (“EPA”) issuance of the Clean Air Act Prevention of Significant Deterioration permit to the Company (“Permit”). The Company is not currently named as a party to the Petition. Please see Attachment A for a copy of the Permit and Petition.

Staff received a letter from Wells Fargo Bank N.A., the letter of credit issuer, acknowledging its awareness of the Petition. The Company’s representatives state that the Preliminary Official Statement and the final Official Statement will disclose the existence of the Petition, although those revisions have not been provided to staff as of the publication of this summary.

TEFRA. The TEFRA hearing was held on August 14, 2014. There were no comments received in support of or in opposition to this Project.

Fees. The Company paid an application fee of \$5,000 and will pay an administrative fee of \$55,000 upon closing.

SBAF Contribution. The Applicant is a large business; however the SBAF fee for large businesses is temporarily waived until June 30, 2015 pursuant to Title 4, Section 8035(e) of CPCFA regulations (4 CCR §8035(e)).

Project Description. The Company plans to construct and operate a steam generation unit that will burn biomass fuel (including non-treated wood and agricultural crop residues as well as urban wood-waste and other fuels) generated by the facility, regional lumber manufacturing facilities, and other biomass fuel sources and generate steam. A portion of the steam will be used for Company operations and a portion will be used to produce electricity through use of a steam turbine. Additionally, the steam will be used to dry and straighten lumber in existing kilns. Although no steam sales agreements are currently in place, steam may also be sold to other nearby businesses. The steam turbine will drive a generator that will produce electricity for on-site use as well as for sale to the grid. The steam turbine is not being financed with the bonds.

The steam generation unit will utilize up to 154 acres of land and will be located adjacent to the Company's existing lumber manufacturing facility located in Anderson. The project will include the construction of a new fuel handling building, boiler building, cooling tower, electrostatic precipitator, and ash silo, as well as all necessary work and equipment for the project.

The anticipated project and issuance costs are listed below:

	To be Paid from Bond Proceeds	To be Paid from all Other Sources
Site Preparation	\$1,500,000	\$0
Construction of New Building(s)	\$3,500,000	\$1,000,000
Site Utilities Connection	\$1,630,000	\$2,710,000
Acquisition and Installation of New Equipment	\$17,271,500	\$9,000,000
Infrastructure/Environmental	\$4,000,000	\$0
Engineering/Architecture	\$180,000	\$120,000
Legal, Permits, etc.	\$480,000	\$70,000
Bond Issuance Expenses	\$438,500	\$0
Contingency	<u>\$1,000,000</u>	<u>\$2,100,000</u>
TOTALS:	<u>\$30,000,000</u>	<u>\$15,000,000</u>

Note: The project costs reported in the Borrower's application and shown here in staff's report are estimated costs. At the time this financing closes, the estimated project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the project from original estimates, and other reasons. In addition, such costs may

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vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

Anticipated Timeline. The Company commenced equipment purchases in June of 2014. It is anticipated that the equipment purchases will be completed by the 3rd quarter of 2015. Additionally, construction of the facility began in June of 2014 and is expected to be completed by May or June 2015.

Local Government. The Company received a letter of support from Mr. Mark Lascelles, President of the Shasta County Economic Development Corporation (Attachment B).

Pollution Control and/or Environmental Benefits. The Company represents the project will generate the pollution control and environmental benefits described below.

Air Quality and Energy Efficiency. The technology used in the construction and operation of the new cogeneration plant is not new, but is significantly more efficient and environmentally sensitive in terms of resources used and emissions than older cogeneration facilities.

Water Quality. All waste material to be processed at the applicant's facilities will be on paved surfaces under a roof and will not contribute to otherwise naturally occurring runoff.

Recycling of Commodities. The project will provide mechanical and/or floor sorting of wood waste which will be used to produce renewable energy.

Safety and Compliance. The implementation of the project will result in the compliance of all applicable state and federal environmental regulations regarding solid waste disposal. The Company anticipates that this project will achieve the mandates of the United States Resource Conservation and Recovery Act (RCRA), the California Integrated Waste Management Act of 1989 (AB 939) and the California Global Warming Solutions Act as adopted in Assembly Bill 32. These acts all mandate the need to minimize the amount of material landfilled and maximize recycling opportunities.

Jobs. This project will result in the creation of 125 new full-time jobs.

Taxes. The Company anticipates that the following tax revenues will be generated by the project:

Personal Property Taxes	\$300,000 annually
Sales Tax	\$1,400,000 (one time)

Permitting and Environmental Approvals. All required discretionary permits have been obtained, and copies were provided with the submission of the CPCFA FR application.

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For additional information regarding the status of the Clean Air Act Prevention of Significant Deterioration permit see the Legal Questionnaire portion of this Staff Summary.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from Wells Fargo Bank N.A. that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is September 25, 2014.

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Schiff Hardin, LLP
Financial Advisor: Progressive Capital
Issuer’s Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Final Resolution No. 536 and Volume Cap Allocation Resolution No. 11-169-04 for an amount not to exceed \$30,000,000 for Sierra Pacific Industries and/or its Affiliates.



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Suite 100
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June 26, 2014

Ms. Reneé Webster-Hawkins
Executive Director
California Pollution Control Financing Authority
915 Capitol Mall, Room 457
Sacramento, CA 95814

RE: California Pollution Control Financing Authority, Exempt Facility Approvals
Sierra Pacific Industries Project

Dear Ms. Webster-Hawkins:

I write to you today on behalf of Sierra Pacific Industries in support of their environmental project in Anderson. Approval for this facility will be requested at the California Pollution Control Financing Authority ("CPCFA") meeting in September.

I have worked with the management of Sierra Pacific Industries over the last few years in their development and permitting of the proposed project and they now are ready for final approval of the financing. I understand that in order to receive approval for the issuance of tax exempt bonds, on whose lower interest rates the "project" economics have been based, that CPCFA must grant part of the State's allocation for "private activity" bonds as defined by the federal government to the Project.

We and Sierra Pacific Industries agree that the implementation of this project is a cost effective addition to our overall program, taking into account cost, technology and expected waste diversion.

On behalf of Shasta County Economic Development Corporation, I urge the Authority to approve the Sierra Industries Project at your meeting in September. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Lascelles", is written over a horizontal line.

Mark Lascelles
President

**FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING OR REFINANCING OF
SOLID WASTE DISPOSAL FACILITIES AND EQUIPMENT
FOR SIERRA PACIFIC INDUSTRIES
AND/OR ITS AFFILIATES**

September 16, 2014

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of Sierra Pacific Industries (the “Borrower”), for financial assistance to finance or refinance the acquisition and construction of a new biomass fired steam generation facility, including a new fuel shed, boiler building, cooling tower, electrostatic precipitator and ash silo, and related facilities, including the acquisition and installation of equipment therein comprised of a boiler, burners, a fuel conveyor, a main steam line and related equipment, including emission control equipment, all to be located on approximately 154 acres of land at 19758 through 19794 Riverside Avenue, Anderson, California 96007, adjacent to the existing Sierra Pacific Industries sawmill facilities, all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (collectively, the “Project”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$30,000,000 to assist in the financing or refinancing of the Project; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement with the Authority; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Sierra Pacific Industries Project) Series 2014” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$30,000,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax-exempt mode, all in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to finance or refinance the Project and to pay costs of issuance of the Bonds.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time on or before December 31, 2014, by negotiated sale, at such price and at such interest rate or rates as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract.

Section 4. The following documents: (i) a loan agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower; (ii) an indenture relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”); (iii) a bond purchase contract (the “Purchase Contract”) among the Authority, the Treasurer of the State of California and the underwriter or underwriters named in the Term Sheet (the “Underwriters”), and approved by the Borrower; and (iv) the preliminary official statement relating to the Bonds (the “Preliminary Official Statement”) are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement.

Section 5. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 6. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 7. The Underwriters are hereby authorized to distribute the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriters are hereby directed to deliver (in a manner that complies with Securities and Exchange Commission rule 15c2-12(b)(3)) a copy of said final official statement (as finally executed, the “Official Statement”) to all actual purchasers of the Bonds.

Section 8. The Bonds, when executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriters in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriters thereof, upon payment of the purchase price thereof.

Section 9. The Authority hereby dedicates and confirms its allocation to the Bonds issued in a tax-exempt mode (the “Tax-Exempt Bonds”) of a portion of its private activity bond limit, as previously received, carried forward or to be received from the California Debt Limit Allocation Committee, in an amount up to the applicable principal amount of Tax-Exempt Bonds issued and delivered to finance certain costs of the Project and to pay certain costs of issuance of the Tax-Exempt Bonds, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Tax-Exempt Bonds.

Section 10. Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Bonds, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Purchase Contract and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, any certifications, including, a tax certificate.

Section 11. The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on January 21, 2014, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

Section 12. The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 13. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this final resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

TERM SHEET

Name of Issue:	California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Sierra Pacific Industries Project) Series 2014, or such alternate designation as may be approved by the Executive Director of the Authority (the “Bonds”)
Maximum Amount of Issue:	\$30,000,000 (tax-exempt)
Issuer:	California Pollution Control Financing Authority (the “Authority”) Sacramento, CA
Borrower:	Sierra Pacific Industries
Trustee:	MUFG Union Bank N.A.
Underwriters:	Westhoff, Cone & Holmstedt
Bond Counsel:	Schiff Hardin LLP
Remarketing Agent:	Westhoff, Cone & Holmstedt and Alamo Capital
Project:	Acquisition and construction of a new biomass fired steam generation facility, including a new fuel shed, boiler building, cooling tower, electrostatic precipitator and ash silo, and related facilities, including the acquisition and installation of equipment therein comprised of a boiler, burners, a fuel conveyor, a main steam line and related equipment, including emission control equipment, all to be located on approximately 154 acres of land at 19758 through 19794 Riverside Avenue, Anderson, California 96007, adjacent to the existing Sierra Pacific Industries

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sawmill facilities.

Maximum Bond Term:	Not to exceed 30 years
Type of Sale:	Negotiated
Description of Minimum Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof while in variable rate mode
Financing Structure:	Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture
Maximum Interest Rate:	12%
Letter of Credit:	Provided by Wells Fargo Bank, National Association
Other Credit Enhancement:	Not applicable
Anticipated Bond Rating:	Standard & Poor's: "AA-/A-1" (Minimum "A-")
Type of Financing:	Solid waste disposal revenue bonds
Prepared by:	Schiff Hardin LLP

THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

RESOLUTION NO. 11-169-04

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2011 STATE
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN
EXEMPT FACILITY PROJECT**

WHEREAS, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from Sierra Pacific Industries (“Project Sponsor”) for approval of the issuance of revenue bonds; and

WHEREAS, on September 16, 2014, CPCFA approved Final Resolution No. 536 (“Final Resolution”) authorizing the issuance of up to \$30,000,000 of its solid waste disposal revenue bonds (Sierra Pacific Industries – Anderson Biomass Facility Project) Series 2014 (“Bonds”); and

WHEREAS, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution; and

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2011 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and procedures. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Procedures of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Procedures”); and

WHEREAS, it is appropriate for CPCFA to confirm the use of a portion of the 2011 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Bonds as set forth in the Final Resolution;

NOW, THEREFORE, CPCFA resolves as follows:

Section 1. CPCFA Allocation in the amount of \$30,000,000 is hereby dedicated to the issuance of the Bonds. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

Section 4. The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Bonds for the Project have been issued by CPCFA by the close of business on **December 31, 2014**. In a case of extreme hardship, the Deputy Executive Director or the Executive Director may extend this date by up to thirty (30) business days.

Section 5. Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC via the email or the fax number as provided in Section 5140 of the CDLAC Regulations that the Bonds have been issued. This notice shall identify the Project Sponsor, the project or program, the date and amount of the Bonds issued.

Section 6. Within fifteen (15) calendar days of the Bond closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting the appropriate completed Report of Action Taken in a form prescribed by and made available by CDLAC.

Section 7. Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 4 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

Section 8. In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 9. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

Section 10. This Resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 11-169-04
(AN EXEMPT FACILITY PROJECT)
EXHIBIT A

1. Project Sponsor: Sierra Pacific Industries
2. Application #: 838
3. Project User: Sierra Pacific Industries
4. Project Name: Sierra Pacific Industries – Anderson Biomass Facility Project
5. Location: 19758 Riverside Avenue
Anderson, CA 96007
6. Credit Enhancement: Wells Fargo Bank, N.A.
7. The Credit Enhancement Provider at the time of issuance will be the same as represented in the application.
8. Amount of Allocation: \$30,000,000